

## Chapter 359A

### Options on E-mini NASDAQ 100 Index® Futures

#### 359A00. SCOPE OF CHAPTER

This chapter is limited in application to trading in put and call options on the E–Mini Nasdaq 100 Index futures contract ("E–Mini Nasdaq 100 options"). The procedures for trading, clearing, inspection, delivery and settlement and any other matters not specifically covered herein shall be governed by the rules of the Exchange.

#### 359A01. OPTION CHARACTERISTICS

##### 359A01.A. Contract Months, Trading Hours, and Trading Halts

Options contracts shall be listed for such contract months and scheduled for trading during such hours, except as indicated below, as may be determined by the Board of Directors.

There shall be no trading in any option contract when the Nasdaq 100 Index primary futures contract is limit bid or offered at any price limit except at the Total Daily Price Limit on an option's last day of trading.

There shall be no trading in any option contract during a period when trading in the primary futures contract is terminated pursuant to Rule 35902.I.

For purposes of this rule, the primary E–Mini Nasdaq 100 Index futures contract shall be defined as the nearest E–Mini Nasdaq 100 Index future contract month.

For purposes of this rule, Exchange staff shall have the responsibility of determining whether the primary futures contract is trading at its limit during Regular Trading Hours (RTH). During Electronic Trading Hours (ETH), the determination shall be made by the Globex Control Center.

##### 359A01.B. Trading Unit

The trading unit shall be an option to buy, in the case of the call, or to sell, in the case of the put, one E–Mini Nasdaq 100 Index futures contract as specified in Chapter 359.

##### 359A01.C. Minimum Fluctuations<sup>1</sup>

The price of an option shall be quoted in index point. Each .01 index point shall represent \$0.20. The minimum fluctuation shall be 0.25 index points (also known as one tick), equivalent to \$5.00 per contract. Trades may also occur at a price of .05 index points or \$1.00, whether or not such trades result in the liquidation of positions for both parties to the trade. A trade with a price equal to or less than 3.00 index points may also occur at a price in multiples of .05 index points, \$1.00.

Each leg of a combination trade of options contracts shall be traded at a price conforming to the minimum fluctuation. Notwithstanding, options in a combination trade can be traded at an increment of .05 index points regardless of the premium level if the net premium of the options combination is at or below 3.00 index points.

##### 359A01.D. Underlying Futures Contract

###### 1. Options in the March Quarterly Cycle

For options that expire in the March quarterly cycle (i.e., March, June, September, and December), the underlying futures contract is the futures contract for the month in which the option expires. For example, the underlying futures contract for an option that expires in March is the March futures contract.

###### 2. Options Not in the March Quarterly Cycle

For options that expire in months other than those in the March quarterly cycle (i.e., January, February, April, May, July, August, October, and November), the underlying futures contract is the next futures contract in the March quarterly cycle that is nearest the expiration of the option. For example, the underlying futures contract for options that expire in January or February is the March future contract.

<sup>1</sup> Revised July 2005; January 2007

**359A01.E. Exercise Prices<sup>1</sup>****1. Options in the March Quarterly Cycle**

A referencing index shall be determined each quarter on the day prior to the expiration of the March Quarterly futures contract and shall equal the daily settlement price of the nearest expiring NASDAQ 100 index futures contract. The chosen referencing index will then be used to determine the strike listing range for all listed contracts. The index points are rounded to the nearest integer.

At the commencement of trading, the Exchange shall list all exercise prices that are integers divisible by 10 without remainder in a range of 30 percent of the referencing index above and below the previous day's settlement price of the underlying futures contract.

Thereafter, when a daily settlement price in the underlying futures contract occurs at, or passes through, any exercise price, the Exchange shall list, on the next trading day, all eligible exercise prices in the corresponding ranges.

Exchange Staff, under delegated authority from the Board may modify the provisions governing the establishment of exercise prices as it deems appropriate.

**2. Options not in the March Quarterly Cycle**

Exercise prices for options not in the March quarterly cycle listed for trading shall be identical to the exercise prices that are listed for the March quarterly options on the same underlying futures contract. For example, the exercise prices listed for the January contract shall be identical to those listed for the March contract.

**359A01.F. Position Limits**

No person shall own or control a combination of options and underlying futures contracts that exceeds 10,000 Nasdaq 100 futures-equivalent contracts net on the same side of the market in all contract months combined. For the purposes of this rule, each E-Mini Nasdaq 100 futures-equivalent contract shall be deemed equal to one-fifth (0.20) of a Nasdaq 100 Stock Price Index futures-equivalent contract.

For the purpose of this rule, the futures equivalent of an option contract is 1 times the previous business day's IOM risk factor for the option series. Also for purposes of this rule, a long call option, a short put option, and a long underlying futures contract are on the same side of the market; similarly, a short call option, a long put option, and a short underlying futures contract are on the same side of the market.

**359A01.G. Accumulation of Positions**

For the purposes of this rule, the positions of all accounts directly or indirectly owned or controlled by a person or persons, and the positions of all accounts of a person or persons acting pursuant to an expressed or implied agreement or understanding, and the positions of all accounts in which a person or persons have a proprietary or beneficial interest, shall be cumulated.

**359A01.H. Exemptions**

The foregoing position limits shall not apply to commercially appropriate risk reducing option positions defined in accordance with Regulation §1.3(z)(1) of the CFTC and meeting the requirements of Rule 543 and shall not apply to other option positions subject to Rule 543.

**359A01.I. Termination of Trading****1. Options in the March Quarterly Cycle**

For options that expire in the March quarterly cycle, options trading shall terminate at the same date and time as the underlying futures contract.

**2. Options Not in the March Quarterly Cycle**

For options that expire in months other than those in the March quarterly cycle, options trading shall terminate on the third Friday of the contract month. If that day is not a scheduled Exchange business day, options trading shall terminate on the first preceding business day. In the event that the underlying futures market does not open on the scheduled expiration day, the option expiration shall be extended to the next day on which the underlying futures market is open for trading.

**359A01.J. Contract Modification**

Specifications shall be fixed as of the first day of trading of a contract except that all options must

<sup>1</sup> Revised July 2005, November 2005, June 2007, November 2007, April 2008, September 2008.

conform to government regulations in force at the time of exercise. If the U.S. government, an agency, or duly constituted body thereof issues an order, ruling, directive, or law inconsistent with these rules, such order, ruling, directive, or law shall be construed to become part of these rules and all open and new options contracts shall be subject to such governmental orders.

### **359A02. EXERCISE**

In addition to the applicable procedures and requirements of Chapter 7, the following shall apply to the exercise of the E-Mini Nasdaq 100 Index options.

#### **359A02.A. Exercise of Option by Buyer**

An option may be exercised by the buyer on any business day that the option is traded. To exercise an option the clearing member representing the buyer shall present an exercise notice to the Clearing House by 7:00 p.m. on the day of exercise.

An option in the March quarterly cycle that is in the money and has not been liquidated or exercised prior to the termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. on the business day following the termination of trading by the clearing member representing the option buyer, be exercised automatically.

In-the-money options that expire in months other than those in the March quarterly cycle and have not been liquidated or exercised prior to the termination of trading shall, in the absence of contrary instructions delivered to the Clearing House by 7:00 p.m. on the day of the termination of trading by the clearing member representing the option buyer, be exercised automatically.

Corrections to option exercises may be accepted by the Clearing House after the 7:00 p.m. deadline and up to the beginning of final option expiration processing provided that such corrections are necessary due to: (1) a bona fide clerical error, (2) an unreconciled Exchange option transaction(s), or (3) an extraordinary circumstance where the clearing firm and customer are unable to communicate final option exercise instructions prior to the deadline. The decision whether a correction is acceptable will be made by the President of the Clearing House, or the President's designee, and such decision will be final.

#### **359A02.B. Assignment**

Exercise notices accepted by the Clearing House shall be assigned through a process of random selection to clearing members with open short positions in the same series. A clearing member to which an exercise notice is assigned shall be notified thereof as soon as practicable after such notice is assigned by the Clearing House, but not later than 45 minutes before the opening of trading in the underlying futures contract on the following business day.

The clearing member assigned an exercise notice shall be assigned a short position in the underlying futures contract if a call was exercised or a long position if a put is exercised. The clearing member representing the option buyer shall be assigned a long position in the underlying futures contract if a call is exercised and a short position if a put is exercised.

All such futures positions shall be assigned at a price equal to the exercise price of the option and shall be marked to market in accordance with Rule 814 on the trading day following acceptance by the Clearing House of the exercise notice.

### **359A03. ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES**

(Refer to Rule 701. – ACTS OF GOVERNMENT, ACTS OF GOD AND OTHER EMERGENCIES)

(End Chapter 359A)

## **INTERPRETATIONS & SPECIAL NOTICES RELATING TO CHAPTER 359A**

E-Mini Nasdaq 100 Index Futures and Options on E-Mini Nasdaq 100 Index Futures (Products) are not sponsored, endorsed, sold or promoted by the Nasdaq Stock Market, Inc. (including its affiliates) (Nasdaq, with its affiliates, are referred to as the Corporations). The Corporations have not passed on the legality or suitability of, or the accuracy or adequacy of descriptions and disclosures relating to, the Products. The Corporations make no representation or warranty, express or implied, to the holder of any position in the Products or any member of the public regarding the advisability of investing in financial instruments

generally or in the Products particularly, or the ability of the Nasdaq 100 Index to track general stock market performance. The Corporations' only relationship to Chicago Mercantile Exchange Inc. (Licensee) is in the licensing of certain trademarks, service marks, and trade names of the Corporations and the use of the Nasdaq 100 Index, which is determined, composed and calculated by Nasdaq without regard to Licensee or the Products. Nasdaq has no obligation to take the needs of the Licensee or the holder of any position in the Products into consideration in determining, composing or calculating the Nasdaq 100 Index. The Corporations are not responsible for and have not participated in the determination or calculation of the equation by which the Products are to be converted into cash, in the case of the E-Mini Nasdaq 100 Futures, or futures contracts, in the case of Options on E-Mini Nasdaq 100 Futures. The Corporations have no liability in connection with the administration, marketing or trading of the Products.

THE CORPORATIONS DO NOT GUARANTEE THE ACCURACY AND/OR UNINTERRUPTED CALCULATION OF THE NASDAQ 100 INDEX OR ANY DATA INCLUDED THEREIN. THE CORPORATIONS MAKE NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM THE USE OF THE NASDAQ 100 INDEX, ANY OPENING, INTRA-DAY, OR CLOSING VALUE THEREOF, OR ANY DATA INCLUDED THEREIN, OR RELATING THERETO, IN CONNECTION WITH THE TRADING OF E-MINI NASDAQ 100 FUTURES OR OPTIONS ON E-MINI NASDAQ 100 FUTURES OR FOR ANY OTHER PURPOSE. THE CORPORATIONS MAKE NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE NASDAQ 100 INDEX, ANY OPENING, INTRA-DAY, OR CLOSING VALUE THEREOF, OR ANY DATA INCLUDED THEREIN OR RELATED THERETO, OR ANY E-MINI NASDAQ 100 FUTURES CONTRACT OR OPTION ON AN E-MINI NASDAQ 100 FUTURES CONTRACT. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL THE CORPORATIONS HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.